

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on March 21, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R) Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: None

Members Absent: Rep. Daniel Fuchs (R)

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 162, SB 129, HB 642,
3/19/2001
Executive Action: HB 642, HB 591, HB 623, SB
317, SB 46, HB 534

HEARING ON SB 162

Sponsor: SEN. LORENTS GROSFIELD, SD 13, BIG TIMBER

Proponents: None

Opponents: None

Opening Statement by Sponsor:

SEN. LORENTS GROSFIELD, SD 13, BIG TIMBER, handed out a chart **EXHIBIT**(tah64a01). He explained this bill dealing with earmarking at the local level. He stated the earmark accounts would go to local level funds and offers guidelines to follow. He mentioned this bill came from the local government funding committee. He referred to the chart and explained the distributions. He offered some examples of where the funding revenues would come from and how it was attached to federal strings and used for special purposes.

Proponents' Testimony: None

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. RON ERICKSON gave examples of the tobacco tax and asked the sponsor his opinion. SEN. GROSFIELD answered by stating there would be a connection with earmarking, but he didn't feel it would be direct enough to the specific issue.

REP. ERICKSON wondered about the long range building fund pertaining to tobacco tax. He asked what the connection of the long range building fund and tobacco would do with this bill.

SEN. GROSFIELD said this bill would not have any effect on that issue because it is dealing with local funding.

REP. GARY FORRESTER asked about other local government earmarking. SEN. GROSFIELD didn't have any particular local government in mind.

REP. FORRESTER wasn't sure HB 124 would be for local control. He asked how this bill would effect HB 124. SEN. GROSFIELD didn't think it would effect HB 124 and he didn't have an exact answer for this question.

CHAIRMAN BOB STORY talked about a fee for registration of motorcyclist and he asked if that type of fee would be

appropriate under this legislation. **SEN. GROSFIELD** answered yes. He explained the safety program and the user fee where the funding would go to.

CHAIRMAN STORY compared a state issue to a local level and asked if this bill would research these areas. **SEN. GROSFIELD** felt it was an appropriate use of earmarking.

Closing by Sponsor:

SEN. LORENTS GROSFIELD, SD 13, BIG TIMBER, closed on his bill and emphasized it was simple and straightforward offering a good process for the local level.

{Tape 1; Side B}

HEARING ON SB 129

Sponsor: **SEN. DALE BERRY, SD 30, HAMILTON**

Proponents: Russ Kaiter, Chief Legal Counsel, DPHHS
Jim Erins. Alliance for Healthy Montana
Kathy McGowan, American Cancer Society
Mary McCue, Executive Director, MT. Dental
Association
Janie McCall, Deaconess Billings Clinic
Bob Pansich, AARP
Steve Yeakel, MT. Council For Maternal Child
Health and American Heart Association
Sammy Butler, MT. Nurses Association
Dana Lovett, MT. Medical Association
Tom Ebsery, St. Vincent Healthcare

Opponents: None

Opening Statement by Sponsor:

SEN. DALE BERRY, SD 30, HAMILTON, said this bill was requested by the Department of Health and Human Services. He explained sections of the bill. He addressed the funding in the trust and what programs it was distributed to.

Proponents' Testimony:

Russ Kaiter, Chief Legal Counsel, DPHHS, supports this legislation and would be available for questions.

Jim Erins. Alliance for Healthy Montana, supported this bill and explained the costs appropriated.

Kathy McGowan, American Cancer Society, supports this bill and asked for a do pass recommendation.

Mary McCue, Executive Director, MT. Dental Association, supports this bill.

Janie McCall, Deaconess Billings Clinic, said the major priorities for the clinic is tobacco prevention. She said there was strong support into the referendum that passed and she urged the committee to pass this bill.

Bob Pansich, AARP, believed the trust will grow and create income for the state. He supported the bill.

Steve Yeakel, MT. Council For Maternal Child Health and American Heart Association, he asked for support of this bill.

Sammy Butler, MT. Nurses Association, strongly supports this bill. She said nurses work for prevention and education and believed care is good for communities and is cost effective.

Dana Lovett, MT. Medical Association, strongly urged support of this bill.

Tom Ebbery, St. Vincent Healthcare, would like to see the trust put on the ballot and believed the language in the bill works good.

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. BUTCH WADDILL referred to page two of the bill and asked about the language originally in the bill. **SEN. BERRY** tried to recall why the language was taken out. He didn't have an answer.

REP. JOHN ESP asked about increased spending in existing programs. **SEN. BERRY** said not to increase spending and he gave an example.

REP. ESP asked if the \$20 million would qualify. **SEN. BERRY** said they could go beyond the expenditures, but they couldn't replace the present expenditures.

CHAIRMAN STORY asked if this would trace the special revenue fund. **SEN. BERRY** answered yes, they had budgeted for the account.

CHAIRMAN STORY asked if other bills would go to this account for funding. **SEN. BERRY** answered no. He explained 60% of the settlement goes into the fund.

CHAIRMAN STORY felt those bills would fall into the programs. He asked about the interest available. **SEN. BERRY** answered \$3 million for the biennium.

CHAIRMAN STORY wondered how money could be appropriated out of the account. **Jim Erins** explained the budget account and how the money is already being used.

CHAIRMAN STORY thought more research was needed so the money would not be locked into that account to fulfill the appropriations.

REP. JOE BALYEAT was concerned about the interest. He asked if it would still require a two-thirds vote for the special revenue. **SEN. BERRY** answered no. He said it would only be to rate the trust principal.

REP. ROGER SOMERVILLE asked if this bill would provide other health revenues. **Russ Kaiter** explained the broad definition of where the money should be used from this account.

REP. SOMERVILLE asked if the new definition would be acceptable as a healthcare issue. **Kurt Nichols, Budget Office**, mentioned what would be deductible under health insurance.

REP. ESP asked if they could amend the bill for funds to be appropriated out of the special revenue account. **SEN. BERRY** said if the funds were there they would need to use the retroactive date as to how they were spent.

REP. BALYEAT was concerned over the benefit services language and asked about tax credits offered for health insurance. **Russ Kaiter** said the state laws pertain to tax revenue and are the definition in this bill is different. He believed there would be ability to apply terms.

REP. BALYEAT asked if a program was constituted under this plan to fit the definition. **Russ Kaiter** had not contemplated using tax credits for that purpose.

REP. BALYEAT asked about the initiative being restrictive. **SEN. BERRY** pointed to Section one and mentioned providing services for coverage of healthcare needs to fit the definition.

{Tape 2; Side A}

REP. TRUDI SCHMIDT asked about reducing the taxes and the definition. **Jim Erins** explained the definition as presented in the bill.

REP. BALYEAT pointed out the definition of raising the trust.

REP. SOMERVILLE referred to the definitions of a state program and wondered about it being administered by the state instead of by non-profits. **Russ Kaiter** didn't think that was the intent. He explained how funding could not be appropriated to a private organization and the money would be appropriated to state agencies for the programs.

Closing by Sponsor:

SEN. DALE BERRY, SD 30, HAMILTON, felt this bill was needed and explained the special account, which had been set up.

HEARING ON HB 642

Sponsor: **REP. BOB STORY, HD 24, PARK CITY**

Proponents: **Kurt Nichols, Budget Office**
Gail Abercrombe, Executive Director, MT. Petroleum Association
Marvin Miller, Executive Director, MT. Bureau of Mines & Geology
John Tubbs, Department of Natural Resources

Opponents: **None**

Opening Statement by Sponsor:

REP. BOB STORY, HD 24, PARK CITY, reminded the committee this would become a committee bill and the interpretation of the law by the Department of Revenue. He explained the taxes from the statutes and distributions. This law should work for the practice of distributing formulas stating 50% would go to the trust, 25% to the grants program and 25% to the orphan share.

Proponents' Testimony:

Kurt Nichols, Budget Office, handed out information pertaining to the distributions **EXHIBIT (tah64a02)**. He stated this bill clarifies the law to make it consistent with legislative intent and practices of distributing the oil and gas production taxes. He explained the handout.

Gail Abercrombe, Executive Director, MT. Petroleum Association, felt this would be a clarifying bill that would assist other bills pertaining to oil and gas production. She explained how the current statute was and the portion of money being distributed. She felt this bill would offer more flexibility towards the oil and gas issues and how it could be spent.

Marvin Miller, Assistant Director, MT. Bureau of Mines & Geology, said this would clarify the current statute and he supported the legislation.

John Tubbs, Department of Natural Resources, stated the program his department offers per biennium and how this bill would assist the program.

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. EILEEN CARNEY asked for explanation where the taxes would go after the trust was capped. **Kurt Nichols** referred to the second group of numbers on the handout and explained the change during each year. He said the primary changes were the allocation to the trust fund ending and larger allocations going to the development.

REP. CARNEY asked about the interest being received off of the trust. **Kurt Nichols** said yes, this would deal with the interest fees and it was not effected by this legislation.

REP. BALES asked about other bills that would tap the revenue source after it was capped. **John Tubbs** said currently there were two bills that would effect the trust fund.

Closing by Sponsor:

REP. BOB STORY, HD 24, PARK CITY, said the intent of the bill was to clarify the funding and distributions. He explained how people could apply for grants and this would assist them in that process.

Discussion RE: Orphan Share Trust:

Steve Wade, Department of Environmental Quality, said the Orphan Share Trust set up for the DEQ helps to clean up sites that were bankrupted or parties that contributed to contamination. He explained the process and how they would petition for it to work out a reasonable resolution to clean up the sites.

REP. ERICKSON asked if this trust was not being used and needed changes to the law. **Steve Wade**, commented on the need for this to clean up sites. He thought changes should be made and currently it wasn't being used very well.

REP. ESP mentioned the statute and when money should be used by.

REP. CARNEY wondered if the people from the area would petition. **Steve Wade** gave an example of a site and how treated. He explained the process of petitioning.

EXECUTIVE ACTION ON HB 642

Motion/Vote: **REP. FORRESTER** moved HB 642 DO PASS. Motion carried unanimously.

EXECUTIVE ACTION ON HB 591

Motion: **REP. CARNEY** moved HB 591 BE AMENDED moving Sections 8,9, 10 & 11. Amendments were handed out **EXHIBIT**(tah64a03).

Discussion:

CHAIRMAN STORY mentioned the time frames related with MEPA. **Art Compton, Department of Environmental Quality**, explained the time frames and the regulations involved.

{Tape 2; Side B}

REP. CARNEY asked what the results would be of doing this within six months. **Art Compton** felt the best insurance policy against litigation would be a well developed and defendable project. He said six months offers challenges for a review.

REP. ERICKSON asked about the differences of resources. **Art Compton** explained resources and the differences with the issues.

REP. ERICKSON wondered about going to coal and the new modeling involved. Art Compton said these issues would move forward due to coal.

REP. RICK DALE wanted to segregate the amendments. He gave reasons pertaining to the application of a renewal certificate.

Vote: Motion to amend SECTIONS 10 & 11 failed 6-14 with REP. ERICKSON, REP. CARNEY, REP. CYR, REP. SCHMIDT, REP. WADDILL and REP. WANZENRIED voting aye.

Vote: Motion to amend Sections 8 & 9 carried unanimously.

Discussion:

CHAIRMAN STORY explained what the intent of the bill was.

REP. CARNEY asked about the bill that would correlate with this legislation. She asked if it was to regulate sites. REP. DEVLIN explained SB 319 relating to regulation.

Substitute Motion/Vote: REP. WANZENRIED made a substitute motion HB 591 MOVE TO ENERGY COMMITTEE. Substitute motion failed 9-11 with REP. ERICKSON, REP. BRANAE, REP. CARNEY, REP. CYR, REP. FORRESTER, REP. LASLOVICH, REP. SCHMIDT, REP. WADDILL and REP. WANZENRIED voting aye.

{Tape 3; Side A}

Motion/Vote: REP. DEVLIN moved HB 591 DO PASS AS AMENDED. Motion carried 12-8 with REP. ERICKSON, REP. BRANAE, REP. CARNEY, REP. CYR, REP. LASLOVICH, REP. SCHMIDT, REP. WADDILL and REP. WANZENRIED voting no.

EXECUTIVE ACTION ON HB 623

Motion: REP. ERICKSON moved HB 623 DO PASS.

Discussion:

Motion: REP. WANZENRIED moved HB 623 BE AMENDED. Amendments were handed out EXHIBIT (tah64a04).

REP. WANZENRIED explained the amendments.

REP. ESP pointed out the balance of the amendments and asked if they basically insure credit. **Jeff Martin, Legislative Staff**, said it primarily relates to the services involved.

CHAIRMAN STORY asked what the money related to and how it was reported. **Jeff Martin** explained what was reported.

Vote: Motion carried 18-2 with **REP. ESP** and **REP. ANDERSON** voting no.

Motion: **REP. ERICKSON** moved HB 623 DO PASS AS AMENDED.

Discussion:

REP. ERICKSON noted the intent of the bill was to assist employers.

REP. BALYEAT wondered about the taxpayers in corporations. **CHAIRMAN STORY** said it was based upon the historic information.

REP. DALE asked what the total was to apply. **REP. BALYEAT** referred to the fiscal note and explained anyone could apply.

REP. ERICKSON hoped this would grow to become a larger tax break. He addressed the focus of discussion and felt the employer would receive a tax break from this bill.

REP. ANDERSON wondered if larger employers would receive the break and the smaller companies would still be struggling. **CHAIRMAN STORY** pointed to the facility section and how it relates.

REP. BALYEAT mentioned the credit carry over.

Vote: Motion failed 9-11 with **REP. ERICKSON**, **REP. BRANAE**, **REP. CARNEY**, **REP. CYR**, **REP. FORRESTER**, **REP. FUCHS**, **REP. LASLOVICH**, **REP. SCHMIDT** and **REP. WANZENRIED** voting aye.

Motion/Vote: **REP. BALES** moved HB 623 BE TABLED. Motion carried by reversing above vote 11-9.

EXECUTIVE ACTION ON SB 317

Motion: **REP. DALE** moved SB 317 DO PASS.

Discussion:

REP. ESP thought this bill was too steep dealing with the percentages.

REP. ERICKSON liked the bill.

Vote: Motion carried 17-1 with **REP. ESP** voting no.

EXECUTIVE ACTION ON SB 46

Motion: **REP. FORRESTER** moved SB 46 DO PASS.

Discussion:

CHAIRMAN STORY explained this bill extends the process of filing a warrant on someone's paycheck.

REP. KEITH BALES was curious regarding a child support time limit being filed.

{Tape 3; Side B}

Vote: Motion carried unanimously.

EXECUTIVE ACTION ON HB 534

Motion: **REP. ERICKSON** moved HB 534 BE AMENDED. Amendments were handed out **EXHIBIT**(tah64a05).

Discussion:

Jeff Martin talked about the amendments and the changes added. He mentioned the allocations from the trust fund being deposited into the general fund.

REP. DEVLIN asked if the language was targeted to have the interest income earnings paying for the program. **Jeff Martin** said there needed to be clarification between this bill and another.

CHAIRMAN STORY asked about the special revenue fund being included in **SEN. BERRY'S** bill. **Jeff Martin** said it was set up as a special revenue fund.

REP. SCHMIDT wondered about the coordination of the bills for this process to work. **Jeff Martin** said it might work due to the separate revenue account.

REP. ERICKSON mentioned when to bring this bill to assist the budgeting.

REP. WAITSCHIES requested to segregate the amendments 3, 4 and 5 subsections (a) & (b).

Vote: Motion to segregate amendments 3, 4, & 5 Subsections (a) & (b) carried unanimously.

Discussion to continue next meeting regarding this bill.

ADJOURNMENT

Adjournment: 11:18 A.M.

REP. BOB STORY, Chairman

CECILE M. TROPILA, Transcriptionist

BS/RV

EXHIBIT (tah64aad)